

(Regulations of the Fair Political Practices Commission, Title 2, Division 6, California Code of Regulations.)

§ 18703.1. Economic Interest, Defined: Business Entities.

For purposes of disqualification under Government Code sections 87100 and 87103, a public official has an economic interest in a business entity if any of the following are true:

(a) The public official has a direct or indirect investment worth two thousand dollars (\$2,000) or more in the business entity.

(b) The public official is a director, officer, partner, trustee, employee, or holds any position of management in the business entity.

(c) Parent, Subsidiary, Otherwise Related Business Entity. An official has an economic interest in a business entity which is a parent or subsidiary of, or is otherwise related to, a business entity in which the official has one of the interests defined in Government Code section 87103(a) or (d).

(d) Parent, Subsidiary, Otherwise Related Business Entity, defined.

(1) Parent-subsidiary. A parent-subsidiary relationship exists when one corporation directly or indirectly owns shares possessing more than 50 percent of the voting power of another corporation.

(2) Otherwise related business entity. Business entities, including corporations, partnerships, joint ventures and any other organizations and enterprises operated for profit, which do not have a parent-subsidiary relationship are otherwise related if any one of the following three tests is met:

(A) One business entity has a controlling ownership interest in the other business entity.

(B) There is shared management and control between the entities. In determining whether

there is shared management and control, consideration should be given to the following factors:

- (i) The same person or substantially the same person owns and manages the two entities;
- (ii) There are common or commingled funds or assets;
- (iii) The business entities share the use of the same offices or employees, or otherwise share activities, resources or personnel on a regular basis;
- (iv) There is otherwise a regular and close working relationship between the entities; or
- (C) A controlling owner (50% or greater interest as a shareholder or as a general partner) in one entity also is a controlling owner in the other entity.

(e) Although a public official may not have an economic interest in a given business entity pursuant to subdivisions (a)-(c) of this section, the public official may nonetheless have an economic interest in the business entity if it is a source of income to him or her. (See 2 Cal. Code Regs. section 18703.3.)

Note: Authority cited: Section 83112, Government Code. Reference: Sections 87100, 87102.5, 87102.6, 87102.8 and 87103, Government Code.

HISTORY

1. New section filed 9-12-90; operative 10-12-90 (Register 90, No. 43).
2. Amendment filed 3-26-96; operative 3-26-96 pursuant to Government Code section 11343.4(d) (Register 96, No. 13).
3. Repealer and new section filed 11-23-98; operative 11-23-98 pursuant to the 1974 version of Government Code section 11380.2 and title 2, California Code of Regulations, section 18312(d) and (e) (Register 98, No. 48).
4. Change without regulatory effect amending section heading filed 3-26-99 pursuant to section 100, title 1, California Code of Regulations (Register 99, No. 13).

5. Editorial correction of 3 (Register 2000, No. 25).
6. Amendment of subsections (a) and (e) filed 2-13-2001. Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements) (Register 2001, No. 7).
7. Change without regulatory effect amending subsections (c) and (e) filed 10-6-2003 pursuant to section 100, title 1, California Code of Regulations (Register 2003, No. 41).
8. Amendment of first paragraph and subsection (c) and repealer of subsection (d)(3) filed 3-11-2004; operative 3-11-2004 pursuant to Government Code section 11343.4 (Register 2004, No. 11).